Financial Report
with Supplemental Information
June 30, 2008

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#### **Board of Directors**

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Louis Hawkins Treasurer

Barbara Veasley Secretary

Mayor Don Williamson

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Inez Brown

Damion Frasier

Robert Kittel

Deborah Pascoe

**Doris Thomas** 

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#### Independent Auditor's Report

**Board of Directors** 

Flint Downtown Development Authority Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund information of the Flint Downtown Development Authority as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements, component unit of the City of Flint Michigan, as listed in the table of contents. These financial statements are the responsibility of the Flint Downtown Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund information of the Flint Downtown Development Authority as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Flint Downtown Development Authority's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Plante + Moran, PLLC

November 17, 2008



#### **Management's Discussion and Analysis**

Our discussion and analysis of the Flint Downtown Development Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Authority's financial statements.

#### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- The Authority's total net assets are \$6.1 million.
- During the year, the Authority's expenses totaled \$1,300,346 which was more than the \$1,201,091generated in taxes and other revenues.
- General Fund expenditures exceeded revenues by \$159,150

#### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

# **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The following table shows, in a condensed format, the current year's changes in net assets, compared to the prior year:

		<u>2007</u>		<u>2008</u>
Capital assets Other assets	\$ 1	34 ,233,520	\$ 1,3	1,835 386,059
Total assets	<u> </u>	,233,554	1,3	387,894
Long term liabilities Other liabilities		767,837 11,020		767,837 322,709
Total liabilities		778,857	۱,(	090,546
Net assets: Invested in capital assets, net of related debt Restricted Unrestricted		34 - 454,663	2	1,835 10,979 284,534
Total net assets	\$	454,697	\$ 2	97,348
Revenue Program revenue: Operating grants and contributions General revenue: Property taxes Interest Other revenue	\$	<u>2007</u> - 54,040 16,013	\$	2008 143,471 76,092 14,240 5,148
Total revenue		70,053		238,951
Program Expenses Development administration Community promotion and development		256,443 174		467,911 
Total program expenses		256,617	4	467,911
Deficiency of revenue over expenses Transfers in		(186,564) 169,895	(2	228,960) 71,611
Change in Net Assets	\$	(16,669)	<b>\$ (</b> 1	<u>57,349)</u>

#### **Management's Discussion and Analysis (Continued)**

The governmental net assets decreased 35 percent from a year ago - decreasing from \$455 thousand to \$297 thousand. In contrast, last year's net assets decreased by only 3.5 percent.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - decreased by \$170,129 for the governmental activities. This represents a decrease of approximately 37 percent. The current level of unrestricted net assets for our governmental activities stands at \$284,534, or about 61 percent of expenditures.

The Authority's total governmental revenues increased by approximately \$169,000, primarily due to the receipt of a new grant and an increase in property tax revenues in the current year.

Expenses increased by about \$211,000 during the year. Increases were led by consulting fees incurred.

#### **Business-type Activities**

The following table shows, in a condensed format, the current year's changes in net assets, compared to the prior year:

	<u>2007</u>	<u>2008</u>
Capital assets	\$5,916,278	\$6,176,590
Other assets	10,056	80,567
Total assets	5,926,334	6,257,157
Long term liabilities	106,519	601,040
Other liabilities	111,710	(110,082)
Total liabilities	218,229	490,958
Net assets:		
Invested in capital assets, net of related debt	5,809,759	5,766,199
Unrestricted (deficit)	(101,654)	
Total net assets	\$5,708,105	\$5,766,199

# **Management's Discussion and Analysis (Continued)**

	2007	2008
General revenue: Charges for services - Parking Operating grants and donations	\$ 780,735 -	\$ 831,335 126,635
Program revenue Miscellaneous revenue	780,735 -	957,970 4,170
Total revenue	780,735	962,140
Program expenses - Parking Transfers out	774,682 (169,895)	832,435 (71,611)
Change in Net Assets	\$ (163,842)	\$ 58,094

The Authority's business-type activities consist of the Downtown Operations Fund which accounts for the activities related to parking facilities. Fees are charged to customers to assist in covering the costs of the parking facilities.

The net assets of business type activities increased approximately .1 percent from a year ago - increasing from \$5.708 million to \$5.76 million. In contrast, last year's net assets decreased by 2.8 percent.

#### **The Authority's Funds**

Our analysis of the Authority's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Authority as a whole. The Authority Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Authority's major funds for 2008 are the General Fund and the Downtown Operations Enterprise Fund.

The General Fund pays for the Authority's governmental services. The costs of the general fund are funded by other general revenue sources of the General Fund.

#### **General Fund Budgetary Highlights**

Over the course of the year, the Authority amended the budget to take into account events during the year. The most significant change was to increase the estimated operating grants revenue by \$118,500. The amendment was a result of a grant notification of award for an operating grant.

#### **Management's Discussion and Analysis (Continued)**

#### **Capital Asset and Debt Administration**

At the end of 2008, the Authority had \$6.2 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, and office furniture. During the year preliminary work began on a new parking facility. The facility is being financed through bonds issued by the City of Flint on behalf of the Authority.

#### **Contacting the Authority's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Lawrence P. Ford at (810)767-2297 located at 412 South Saginaw Street, Flint, MI 48502.





# Statement of Net Assets June 30, 2008

	Primary Government							
		vernmental Activities		Business-type Activities		Total		
Assets								
Cash and cash equivalents	\$	440,228	\$	1,025	\$	441,253		
Receivables (Note 3)		-		25,060		25,060		
Loan receivable (Note 3)		767,837		-		767,837		
Restricted assets		177,994		54,482		232,476		
Capital assets - Net (Note 4)								
Assets not subject to depreciation		-		5,839,880		5,839,880		
Assets subject to depreciation		1,835		336,710		338,545		
Total assets		1,387,894		6,257,157		7,645,051		
Liabilities								
Accounts payable		106,898		_		106,898		
Accrued liabilities		20,873		_		20,873		
Due to primary government		_		23,467		23,467		
Internal balances		194,938		(194,938)		,		
Deposits payable		-		16,645		16,645		
Unearned revenue		_		2,917		2,917		
Noncurrent liabilities:				,		,		
Due within one year (Note7)		_		41,827		41,827		
Due in more than one year (Note7)		767,837		601,040		1,368,877		
Total liabilities		1,090,546		490,958		1,581,504		
Net Assets								
Invested in capital assets, net of related debt Restricted for:		1,835		5,766,199		5,768,034		
Great Cities Require Great Places Grant		10,979		_		10,979		
Unrestricted		284,534		-		284,534		
Total net assets	\$	297,348	\$	5,766,199	\$	6,063,547		

# **Statement of Activities Year Ended June 30, 2008**

			Progran	n Rev	venue	Net Expense and Changes in Net Assets			Assets		
						Primary Government					
Functions\Programs	 Expenses		harges for Services	C	Operating Grants and entributions		vernmental Activities		usiness-type Activities		Total
Primary Government Governmental activities:											
Development administration	\$ 467,911	\$	-	\$	143,471	\$	(324,440)	\$	-	\$	(324,440)
Total governmental activities	 467,911		-		143,471		(324,440)				(324,440)
Business-type activities Parking	832,435		831,335		126,635		-		125,535		125,535
Total business-type activities	 832,435		831,335		126,635		-		125,535		125,535
Total primary government	\$ 1,300,346	\$	831,335	\$	270,106		(324,440)		125,535		(198,905)
		Pro Int	neral revenue operty taxes erest scellaneous	e:			76,092 14,240 5,148		- - 4,170		76,092 14,240 9,318
			Total gene	eral re	evenue		95,480		4,170		99,650
			Excess (de revenue		ncy) of expenses		(228,960)		129,705		(99,255)
		Tra	nsfers				71,611		(71,611)		-
			Change i	n Ne	t Assets		(157,349)		58,094		(99,255)
			Net Asse	ts - E	Beginning		454,697		5,708,105		6,162,802
			Net Asse	ts - E	inding	\$	297,348	\$	5,766,199	\$	6,063,547



### Balance Sheet Governmental Fund June 30, 2008

	General Fund	
Assets		
Cash and cash equivalents Non-current loan receivable Restricted assets	\$	440,228 767,837 177,994
Total assets	\$	1,386,059
Liabilities		
Accounts payable Accrued liabilities Due to other funds Non-current loan payable	\$	106,898 20,873 194,938 767,837
Total liabilities		1,090,546
Fund Balances Restricted for:		
Great Cities Require Great Places Grant Unreserved, Undesignated		10,979 284,534
Onleselved, Ondesignated		207,337
Total fund balances		295,513
Total liabilities and fund balances	<u>\$</u>	1,386,059

### Governmental Fund Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended June 30, 2008

Fund balances reported in governmental funds	\$	295,513
Amounts reported for governmental activities in the statement of net assets are different	becau	ıse:
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		1,835
Long-term assets are not available to pay for current period expenditures and, therefor are not reported in the funds.	e,	767,837
Long-term liabilities, including long-term notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(767,837)
Net assets of governmental activities	\$	297,348

# Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Fund Year Ended June 30, 2008

		General Fund
Revenue Property taxes	\$	76,092
Local contributions	Ψ	143,471
Interest		14,240
Miscellaneous		5,148
Total revenue		238,951
Expenditures		
Development administration		469,712
Deficiency of revenue over expenditures		(230,761)
Other Financing Sources Transfers in		71,611
Change in fund balance		(159,150)
Fund Balance - Beginning of year		454,663
Fund Balance - End of year	\$	295,513

### Governmental Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (159,150)
Governmental funds report capital outlays as expenditures; however in the statement of activities these costs are allocated over their estimated	
useful lives as depreciation:  Capital outlay	2,532
Depreciation expense	 (731)
Change in Net Assets of Governmental Activities	\$ (157,349)

# Statement of Net Assets Downtown Operations - Enterprise Fund June 30, 2008

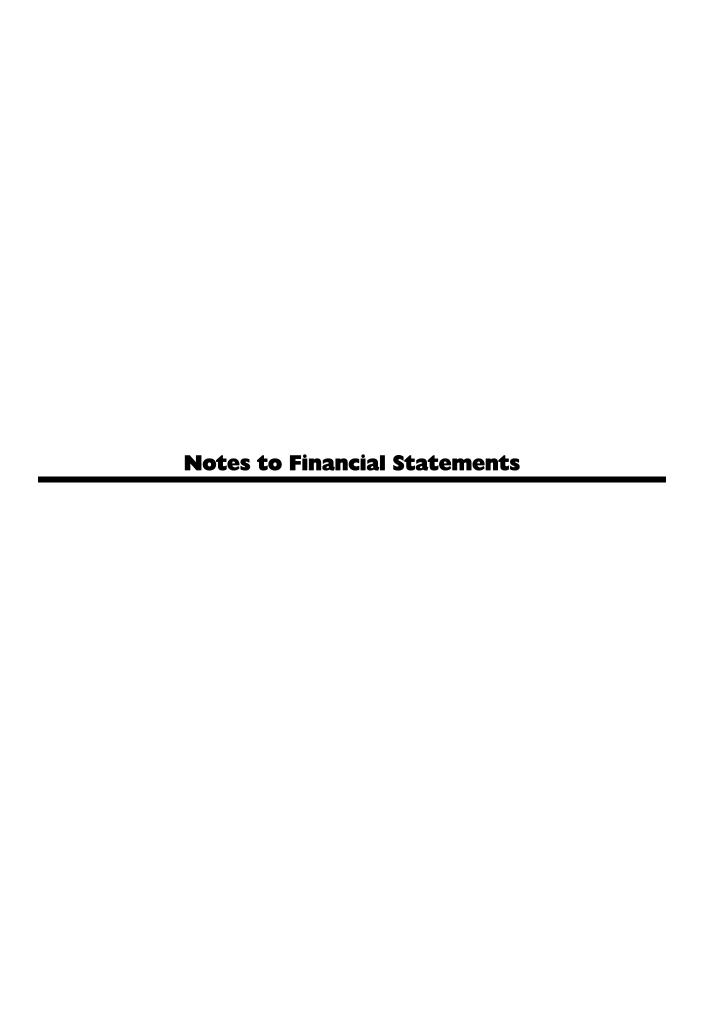
Assets	
Current assets: Cash and cash equivalents Accounts receivables Due from other funds Due from other governments	\$ 1,025 60 194,938 25,000
Total current assets	221,023
Noncurrent assets: Restricted cash Capital assets (net of accumulated depreciation)	54,482 6,176,590
Total noncurrent assets	6,231,072
Total assets	6,452,095
Liabilities	
Current liabilities: Due to primary government Deposits payable Unearned revenue Current portion of long-term debt  Total current liabilities	23,467 16,645 2,917 41,827
Noncurrent liabilities: Long-term debt - net of current portion	601,040
Total liabilities	685,896
Net Assets	
Invested in capital assets, net of related debt Unrestricted	5,766,199
Total net assets	\$ 5,766,199

# Statement of Revenue, Expenses, and Changes in Net Assets Downtown Operations - Enterprise Fund Year Ended June 30, 2008

Operating Revenue	<b>*</b>	020.005
Parking revenue	\$	830,885
Rental income		450
Operating grants Miscellaneous revenue		126,635
i liscellaneous revenue		4,170
Total operating revenue		962,140
Operating Expenses		
Salaries and wages		210,649
Fringe benefits and payroll taxes		47,954
Accounting services		28,028
Audit		2,529
Advertising and marketing		192
Legal		7,525
Contract labor		185,006
Contracted services		300
Equipment		29,069
Depreciation		149,964
Insurance		27,383
Maintenance and repairs		4,678
Gasoline and auto expense		14,772
Service contracts		17,416
Office expense		4,735
Communication		2,970
Utilities		52,695
Rent		8,200
Property taxes		3,065
Interest		30,703
Miscellaneous		4,602
Total operating expenses		832,435
Operating income		129,705
Transfers to other funds		71,611
Change in net assets		58,094
Net Assets - Beginning of year		5,708,105
Net Assets - End of year	\$	5,766,199

# Statement of Cash Flows Downtown Operations -Enterprise Fund June 30, 2008

Cash Flow from Operating Activities Receipts from customers Receipts from operating grants Receipts to employees Payments to suppliers Payments for interfund services	\$	841,561 101,635 (258,603) (403,413) (280,834)
Net cash provided by operating activities		346
Cash Flow from Noncapital Financing Activities Transfers to other funds		(71,611)
Cash Flow from Capital Financing Activities Purchase of capital assets Issuance of debt Payments on note payable  Net cash provided by capital financing activities		(403,040) 573,844 (44,732) 126,072
Net increase in cash and cash equivalents		54,807
Cash and Equivalents - Beginning of year		700
Cash and Equivalents - End of year (including \$54,482 reported as restricted cash)	<u> </u>	55,507
Reconciliation of Operating Income to Net Cash Used in Operating Activities Operating income Adjustments to reconcile operating income to net cash provided by operating activities:	\$	129,705
Depreciation expense		149,964
Changes in assets and liabilities: Receivables Due to/from other funds Due to primary government Due from other governments Accounts payable Deposits payable Deferred revenue		9,296 (280,834) 23,467 (25,000) (3,012) 820 (4,060)
Net cash provided by operating activities	<u>\$</u>	346



# Notes to Financial Statements June 30, 2008

#### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Flint Downtown Development Authority (the "Authority") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Flint Downtown Development Authority:

#### **Reporting Entity**

The Flint Downtown Development Authority was incorporated in 1977 and is located in Genesee County, Michigan. The Flint Downtown Development Authority is governed by an elected eleven-member Board. The accompanying financial statements present the Authority which is considered a "component unit" of the City of Flint. Therefore, the Authority's financial activities are included in the City's financial statements. The financial statements of the City of Flint are available at City Hall for public inspection. At June 30, 2008, the Authority has no component units.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (I) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

# Notes to Financial Statements June 30, 2008

#### Note I - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each major governmental fund and each major Enterprise Fund is reported as a separate column in the fund financial statements.

# Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: interest associated with the current fiscal period. Conversely, grant reimbursements will be collected after the period of availability:; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Authority reports the following major governmental fund:

 The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

# Notes to Financial Statements June 30, 2008

#### Note I - Summary of Significant Accounting Policies (Continued)

The Authority reports the following major proprietary fund:

• The Downtown Operations Enterprise Fund accounts for the operation of several parking facilities in the downtown area.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to (to also) follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Authority's water and sewer function and various other functions of the Authority. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to first apply restricted resources.

The proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for parking space rentals. Operating expenses for the proprietary fund includes the cost of services, operating and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### Property tax revenue

Property taxes are levied on each July I on the taxable valuation of property as of the preceding December 3I for all taxable and personal property located in the Downtown Development Authority District.

The 2007 taxable valuation of the Authority totaled \$44.037 million, on which taxes levied consisted of 1.9984 mills for operating purposes. This resulted in \$76,000 for operating. This amount is recognized in the General Fund financial statements as tax revenue.

# Notes to Financial Statements June 30, 2008

#### Note I - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Restricted Assets** – Unspent loan proceeds for the construction of a parking facility are required to be set aside for construction. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	5 to 24 years
Parking facility equipment	3 to 15 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	5 to 7 years

Compensated Absences (Vacation and Sick Leave) - It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay any amounts when employees separate from service with the Authority. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

# Notes to Financial Statements June 30, 2008

#### Note I - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity (Continued)

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of estimates -** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **Budgetary Information**

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 30, the director submits to the board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- 2. Prior to June 30, the budget is legally enacted on a total fund basis for the General Fund.
- 3. The director is authorized to transfer budgeted amounts within the fund appropriation accounts, however, any revision that alters the total expenditures of the General Fund must be approved by the board.
- 4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Budget for the General Fund was adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5. Budget appropriations lapse at year end except for approved contracts.
- 6. The original budget was amended during the year.

### Notes to Financial Statements June 30, 2008

#### Note I - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity (Continued)

#### **Fund Deficit**

The Downtown Operations Enterprise Fund had an unrestricted net asset deficit of \$79,234 at year end.

#### **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had no bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Credit risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>
Bank investment pool	\$673,445	Not available

# Notes to Financial Statements June 30, 2008

#### Note 3 - Receivables

Receivables as of June 30, 2008 for the Authority's individual major funds are as follows:

	Downtown					
	Gen	General Operations		ations	<b>Total</b>	
Receivables:			•			
Accounts	\$	-	\$	60	\$	60
Intergovernmental		-	2	5,000	2.	5,000
Loan	767,837 -		76	7,837		
Gross receivables	767,837		2	5,060	792	2,897
Less: allowance for uncollectibles		-		-		-
Net total receivables	<u>\$767</u>	,837	\$ 2	5,060	\$792	2,897

Non-current loan receivable:

The Authority entered into a \$767,837 loan agreement with Uptown Reinvestment Corporation, a Michigan-based nonprofit organization, in July 2001. The loan bears interest at 6% per annum commencing November 1, 2009. Loan payments, including interest are payable to the Authority in quarterly installments commencing November 1, 2009 at amounts sufficient to fully retire the debt by September 1, 2021. The funds to make the loan were obtained from monies borrowed from the City of Flint (see Note 7).

#### **Note 4 - Capital Assets**

Capital asset activity of the Authority's governmental and business-type activities was as follows:

Governmental Activities	Baland July I <u>2007</u>	,	<u>Dis</u>	posals	Balance June 30, 2008
Capital assets being depreciated: Office furniture and equipment Accumulated depreciation:	\$ 47,18	6 \$ 2,532	\$	-	\$ 49,718
Office furniture and equipment	47,15	2 731		-	47,883
Net capital assets	\$ 3	4 \$ 1,801	\$	-	\$ 1,835

# Notes to Financial Statements June 30, 2008

#### **Note 4 - Capital Assets (Continued)**

	Balance			Balance
<b>Business-type Activities</b>	<u>July 1, 2007</u>	<u>Addition</u>	<u>Disposals</u>	<u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$5,498,512	\$ -	\$ -	\$5,498,512
Construction in progress		341,368	-	341,368
Subtotal	5,498,512	341,368	-	5,839,880
Capital assets being depreciated:				
Building and equipment	450,995	65,129	-	516,124
Leasehold improvements	5,519,160	4,513	-	5,523,673
Land improvements	1,457,327	-	-	1,457,327
Total assets being depreciated	7,427,482	69,642	-	7,497,124
Accumulated depreciation:				
Building and equipment	260,624	48,998	_	309,622
Leasehold improvements	5,306,766	86,700	-	5,393,466
Land improvements	1,442,326	15,000	-	1,457,326
Subtotal	7,009,716	150,698	-	7,160,414
Net capital assets being depreciated	417,766	(81,056)	_	336,710
Net capital assets	\$5,916,278	\$ 260,412	\$ -	\$6,176,590

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

Development administration \$ 731

Business-type activities:

Parking \$149,964

**Construction Commitments** – The Authority has active construction projects at year end with Colasanti Construction Services for construction of a parking deck and Ram Construction for renovation of the riverfront parking. At year end, the Authority's commitment with Colasanti and Ram Construction was \$6,814,000 and \$674,022, respectively.

# Notes to Financial Statements June 30, 2008

#### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable FundPayable FundAmountDowntown Operations FundGeneral Fund\$194,938

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	<u>Amount</u>	
Downtown Operations Fund	General Fund	\$ 71,611	

The transfer from the Downtown Operations Enterprise Fund to the General Fund represents an administrative reimbursement.

#### Note 6 - Leases

**Operating Leases** - The Authority leases two Ford Expeditions. The leases are payable over 36 months beginning February 2006. The lease expense for the years ended June 30, 2008 and June 30, 2007 was \$17,351. The Authority also leases a 4 x 4 Gator and 300X Loader from John Deere. The lease is payable over 36 months beginning August 2005. The lease expense for the years ended June 30, 2008 and June 30, 2007 was \$7,788. The minimum future payments required under the operating leases are as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2009	<u>\$ 11,420</u>

# Notes to Financial Statements June 30, 2008

#### **Note 6 - Leases (Continued)**

**Capital Leases** - The Authority financed the purchase of parking equipment. The monthly payments under the agreement are \$4,067 for 36 months. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

Years Ending	
June 30	<u>Amount</u>
2009	\$ 48,799
2010	28,466
Total minimum lease payments	77,265
Less amount representing interest	8,242
Present value	\$ 69,023

#### Note 7 - Long-term Debt

In July 2001, the Authority obtained a \$767,837 loan from the City of Flint. In accordance with the loan agreement, the Authority loaned the City of Flint's MDEC Core Communities Fund Program funds to Uptown Reinvestment Corporation (URC) for the purpose of financing property acquisition under a local economic development project. The loan bears interest at the rate of 6% per annum and is due as noted in the extension terms detailed below. The principal amount due to the City of Flint may be reduced based on the amount of the third party private investment generated as a result of the funded development. Principal of \$266,667 will be forgiven for each \$1,000,000 of private investment in excess of \$3,000,000. The receivable and the debt is recorded as a long-term asset and liability in the General Fund.

In 2008, the Michigan Economic Development Corporation granted an extension on the fulfillment of the requirements of the loan extending the completion of projects to September 30, 2009 and deferring interest through that date. Beginning on November 1, 2009 interest will accrue at 6% per annum and payments of principal and interest are required quarterly through September 1, 2021 at amounts sufficient to fully retire the debt.

### Notes to Financial Statements June 30, 2008

#### **Note 7 - Long-term Debt (Continued)**

The Authority has the following long term debt outstanding as of June 30, 2008:

Description	 Amount
Business Type Activities:	
Revenue obligations:	
Kearsley Parking Deck note payable to City of Flint at 4.0-6.0 percent	
interest	\$ 573,844
Capital lease obligation (Note 6)	 69,023
Total Business Type Activity debt	\$ 642,867

Total interest expense for the year was approximately \$7,200. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

		Business-type Activities				
	!	Principal Interest		Total		
2009	\$	41,827	\$	31,066	\$	72,893
2010		59,197		29,162		88,359
2011		32,801		26,272		59,073
2012		33,621		24,612		58,233
2013		34,462		22,910		57,372
2014-2018		185,671		87,489		273,160
2019-2023		210,070		38,082		248,152
2024		45,218		1,131		46,349
Total	\$	642,867	\$	260,724	\$	903,591

#### **Future Revenues Pledged for Debt Payment:**

#### Contractual Obligation

The above contractual obligations to the City of Flint for the Kearsley Parking Deck are the result of the City's issuance of bonds on the Authority's behalf. The Authority has pledged substantially all revenue of the parking deck, net of operating expenses, to repay the obligations; in addition, it has pledged the property taxes. Based upon the amount drawn to date principal and interest to be paid on the bonds is \$903,591. During the current year, there were no net revenues of the system as the parking deck is only in the process of being constructed.

### Notes to Financial Statements June 30, 2008

#### **Note 8 - Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and emission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased insurance for these risks.

#### **Note 9 - Contingent Liabilities**

#### Claims

There are several pending injury claims in which the Authority is involved. The Authority's attorney estimates that the claims against the Authority not covered by the insurance resulting from litigation would not materially affect the operations or financial condition of the Authority.



# Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

<u>.</u>	General Fund					
<u>-</u>	Budget			Variance		
-	Original	Final	Actual	with Amended Budget		
Revenue						
Property taxes	\$ 55,000	\$ 76,000	\$ 76,092	\$ 92		
Local grants	-	118,500	143,471	24,971		
Interest	12,000	14,500	14,240	(260)		
Miscellaneous	-	5,076	5,148	72		
Total revenue	67,000	214,076	238,951	24,875		
Expenditures						
Development administration:						
Salaries and wages	201,360	183,000	183,677	677		
Fringe benefits and payroll taxes	24,800	27,600	26,909	(691)		
Accounting	-	11,200	11,209	9		
Audit	2,850	7,200	7,200	-		
Office supplies	7,800	11,500	11,605	105		
Legal counsel	14 200	24,500 600	30,103 521	5,603		
Insurance - workers compensation	16,200	14,000	13,613	(79)		
Insurance - commercial	3,000	1,700	1,086	(387) (614)		
Meetings Bank charges	2,200	2,400	2,393	(7)		
Utilities	2,200	3,700	3,852	152		
Repairs and maintenance	_	33,500	33,673	173		
Rent	12,900	12,300	12,135	(165)		
Communication	4,000	9,500	10,110	610		
Damage claims	-	750	496	(254)		
Consulting	_	62,000	98,992	36,992		
Advertising and marketing	_	2,000	936	(1,064)		
Contracted services	-	20,300	20,470	` 170 <sup>′</sup>		
Miscellaneous _	5,000	1,100	732	(368)		
Total expenditures	280,110	428,850	469,712	40,862		
Excess of Revenue Over (Under) Expenditures	(213,110)	(214,774)	(230,761)	(15,987)		
Other Financing Sources						
Transfer in	180,000	215,000	71,611	(143,389)		

## Flint Downtown Development Authority

Report to the Board of Directors
June 30, 2008

## Plante & Moran, PLLC



Suite 1A 111 E. Court St. Flint, MI 48502 Tel: 810.767.5350 Fax: 810.767.8150 plantemoran.com

# To the Board of Directors Flint Downtown Development Authority

We have recently completed our audit of the basic financial statements of Flint Downtown Development Authority (the "Authority") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Authority:

	Page		
Report on Internal Control	1-3		
Results of the Audit	4-7		
Summary of Unrecorded Possible Adjustments	8		
Other Recommendations	10		





#### Plante & Moran, PLLC



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#### Report on Internal Control

November 17, 2008

To the Board of Directors
Flint Downtown Development Authority

#### Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Authority's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this Report on Internal Control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Flint Downtown Development Authority as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.



A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

### **General Ledger Fund Accounting**

The general ledger used by the Authority is maintained in Quickbooks. The revenue and expense are classified by activity which allows reports to be generated by fund. The balance sheet accounts are not classified by fund. We recommend that the Authority use fund accounting so reports can be run by fund.

#### **Net Assets**

The net assets per the general ledger were not in agreement with the prior year's audited financial statements. Upon further review of the variance it was discovered that the variance was the result of an adjusting journal entry made to restrict net assets at year end. The entry was improperly recorded to revenue. We recommend that when adjusting restricted net assets the adjustment be recorded between restricted and unrestricted net asset accounts. We also recommend that the net asset balance on the general ledger be agreed to prior year financial statements.

#### **Significant Audit Adjustments**

During the course of the audit, there were significant audit adjustments made by the engagement team. The adjustments related to the following: due to and from between the funds, transfer between the funds for administration fees, reconciliation of the net assets per the general ledger to the prior year audited balance, and to reconcile the capital lease payable balance to the amortization schedule.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

### **Unsupported Journal Entries**

While performing testing of support for journal entries, we noted an entry in excess of \$9,000 that was recorded in July 2007 to balance the General Fund checking account. The offsetting side of the entry was posted to repairs and maintenance expense. There was no support attached to the entry to explain why the entry was posted to the repairs and maintenance account. We recommend that all journal entries be supported by the appropriate documentation.

This communication is intended solely for the information and use of management, the Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Peggy Haw Jury, CPA, CFE



Suite 1A 111 E. Court St. Flint, MI 48502 Tel: 810.767.5350 Fax: 810.767.8150 plantemoran.com

#### Results of the Audit

November 17, 2008

To the Finance Committee
Flint Downtown Development Authority

We have audited the financial statements of Flint Downtown Development Authority for the year ended June 30, 2008, and have issued our report thereon dated November 17, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 14, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Flint Downtown Development Authority. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of Flint Downtown Development Authority, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* requires disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.



#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 10, 2008.

#### Significant Audit Findings

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Flint Downtown Development Authority are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008.

We noted one journal entry transaction entered into by the Flint Downtown Development Authority during the year to adjust General Fund cash for which there was a lack of support.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the useful life of capital assets.

Management's estimate of the useful life of fixed assets is based on history of useful lives of similar assets. We evaluated the key factors and assumptions used to develop the estimate of useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material reclassifications were detected as a result of audit procedures and were corrected by management to recognize an unrecorded asset and liability for a portion of the parking deck capital asset and related debt and for interfund receivables and payables.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 17, 2008.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization's auditors.

This information is intended solely for the use of the Board of Directors and management of Flint Downtown Development Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Peggy Haw Jury, CPA, CFE

## Flint Downtown Development Authority

Flint DDA Governmental Activities 6/30/2008

## SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

Description of Misstatement	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities	Equity	Revenue	Expenses	Income Effect
Accrued payroll variance from actual payroll accrual per payroll register Invoices paid in July 2007 that should have been invoiced that the NO ACC ACC and the ACC ACC ACC ACC ACC ACC ACC ACC ACC AC	1		\$ (3,012	)			\$ (3,012)	\$ 3,012
included in A/P as of 6/30/07 and were improperly excluded.	\$ -	\$ -		\$ -	\$ (613.00)	\$ -	(613)	613
Total	\$ -	\$ -	\$ (3,012	) \$ -	\$ (613)	\$ -	\$ (3,625)	\$ 3,625

## **Other Recommendations**

## Flint Downtown Development Authority

#### **Other Recommendations**

#### **Administrative Reimbursement**

Annually the Parking Operation Fund reimburses the General Fund for administrative services. In previous years the amount had been classified as administrative services expense and revenue in the respective funds. During the audit we requested support for the determination of the value of the services provided by the General Fund for parking related activities for which none was available. The approximate equivalence between the amount billed and the value of the service provided (GASB Statement No. 34, paragraph 112) to the Parking Operations Fund was not provided and thus the reimbursement was classified as interfund transfers on the financial statements.

### **Credit Card Policy**

Currently the Authority does not have a policy regarding the use of credit cards. Public Act 266 of 1995 requires the Authority to adopt a policy for the use of credit cards. We recommend that a policy be established to comply with State law.

#### **Pay Rate Documentation**

Pay rates are determined annually by management as part of the budget process. A master pay rate report is provided to Paychex for payroll processing. There is no formal documentation in personnel files of pay rates for employees. We recommend that documentation of each employee's pay rate be maintained in each employee's personnel file.

#### **General Fund Budget**

The General Fund budget prepared by the Authority included depreciation. The General Fund should budget for capital outlay expense, but not depreciation expense. Depreciation does not affect the accounting of the General Fund and is only applicable at the government-wide level.

#### **Timely Deposit of Funds**

During the course of the engagement, it was brought to our attention that funds are not consistently deposited in the bank in a timely fashion. We recommend that all deposits be made in a timely manner.